

MINUTES
Finance Committee
February 5, 2001

The Finance Committee met February 5, 2001, at 8:30 a.m. at the council offices in Frankfort, Kentucky. Chair Baker presided.

ROLL CALL

The following members were present: Walter Baker, Steve Barger, Ron Greenberg, Merl Hackbart, Hilda Legg, Amanda Coates Lich, Charlie Owen, and Charles Whitehead.

ACTION:
2002-04 FUNDING
METHODOLOGY
“POINTS OF
CONSENSUS”

RECOMMENDATIONS:

- The staff recommends that the council endorse the “Points of Consensus Among University Presidents, KCTCS President, and the Council President Concerning the 2002-04 Funding Methodology” as the basis of the council's operating and capital guidelines for the 2002-04 budget recommendations.
- The staff further recommends that the council direct the staff to propose more specific details to guide the development of the council's 2002-04 operating and capital budget recommendations.

Angela Martin, council vice president for finance, presented the “consensus” document. Since the document was last reviewed, institutions have been meeting with council staff to negotiate the benchmark institutions and to discuss key indicators, including enrollment, retention, and graduation goals. Two work groups made up of institutional representatives and the council staff have been formed—a group to address research space and suitability of space and a group to address mandated programs and debt service. Representatives from the Legislative Research Commission and Governor’s Office for Policy and Management are participating in the institutional benchmark meetings and the work group meetings.

MOTION: Mr. Greenberg moved that in the points of consensus document, Section IV, Endowment Match Program, the first sentence should read: “The Endowment Match Program should be retained.” The remainder of that sentence should be deleted. Mr. Hackbart seconded the motion.

VOTE: The motion passed.

In Section I, Base Funding, Provision 2, Mr. Hackbart asked how the standard deduction for tuition and fees revenue will be done. Ms. Martin said a preliminary figure for the standard deduction is 33 percent of total

said a preliminary figure for the standard deduction is 33 percent of total public funds or actual—whichever is lower. Ms. Lich said she would like for students to be able to anticipate what the increase would be from year to year. Ms. Martin noted that the authority to set tuition rates has been given to the institutions.

Discussion continued on details of the points of consensus document. Ms. Martin said that the council staff is asking for endorsement of the basic framework for the development of the budget guidelines. The council will be asked to approve the budget guidelines.

MOTION: Mr. Barger moved approval of these recommendations and the points of consensus document as modified. Ms. Legg seconded the motion.

VOTE: The motion passed.

*ACTION:
2001-02
ENROLLMENT
GROWTH AND
RETENTION
GUIDELINES*

RECOMMENDATION: The staff recommends that the council approve the 2001-02 Enrollment Growth and Retention Program Guidelines.

The enrollment growth and retention program has \$8 million for each year of the biennium. The General Assembly directed how those monies were to be allocated to the institutions in 2000-01 and it directed the council to establish the allocation procedure for 2001-02. Two pools within each trust fund will be created—one pool for retention and one pool for enrollment. Retention funds would be allocated based on undergraduate headcount enrollment goals; if institutions achieve their retention goals, those funds would be added recurrently to their bases as part of the 2002-04 budget recommendation. The enrollment allocation is based on estimated enrollment growth from fall 1998 through fall 2001. If institutions achieve their enrollment goals, those funds would be added recurrently to their base as part of the 2002-04 budget recommendation.

The Academic Affairs Committee discussed rewarding the system as a whole instead of rewarding individual institutions performance to avoid competition in the recruitment of students.

MOTION: Mr. Barger moved approval of the recommendation. Ms. Lich seconded the motion.

VOTE: The motion passed.

Dr. Kern Alexander, Murray State University president, said he would like the retention goals to be flexible. For example, Murray State University's goal is 73 percent. If it achieved 72.5 percent, it would not get the funds. Dr. Ronald Eaglin, Morehead State University president, suggested that retention funds be distributed based on an institution's retention pattern over the past few years. Mr. Gary Cox, President of the Association of

Independent Kentucky Colleges and Universities, said he would like to see a policy that focuses on the long-range goals of increasing enrollments by 80,000 by the year 2020, instead of a policy that might encourage only enrollment redistribution. Dr. George Reid, Kentucky State University president, agreed with Dr. Alexander and Dr. Eaglin and said that he would like an approach that would reflect the institutions' up and down retention trends.

*ACTION:
POSTSECONDARY
EDUCATION TRUST
FUND INVESTMENT
INCOME*

The Finance Committee deferred action on this agenda item. This item will be considered in March.

*ACTION:
TECHNOLOGY
INITIATIVE TRUST
FUND*

The Finance Committee deferred action on this agenda item. This item will be considered in March.

*ACTION:
INSTITUTIONAL
CAPITAL PROJECT:
KCTCS—
HENDERSON
COMMUNITY
COLLEGE LEASE OF
CLASSROOM SPACE*

RECOMMENDATION: The staff recommends that the council approve the Kentucky Community and Technical College System's request to spend \$240,000 annually in private funds to lease classroom and office space for an industrial-maintenance program.

The Finance Committee voted to recommend approval at its January 16, 2001, meeting.

*ACTION:
KCTCS—ASHLAND
TECHNICAL
COLLEGE
RENOVATION OF
ORIGINAL CAMPUS*

RECOMMENDATION:

- The staff recommends that the council approve the Kentucky Community and Technical College System's request to consolidate two projects and construct an Ashland Technical College and East Park Training Center in the Northeast Kentucky Regional Industrial Park in Boyd County. The 2000 General Assembly authorized renovating the original Ashland Technical College campus.
- The staff recommends that the council approve the KCTCS-Ashland Technical College request to increase the project scope from \$6.9 million to \$10.4 million. Federal funds and economic development bonds will be used to pay for the increase in the scope of the project.

The 2000 General Assembly approved a \$6.9 million capital project to renovate the Ashland Technical College campus. The General Assembly also authorized \$2 million for the Northeast Kentucky Regional Industrial Park to construct a Technology and Innovation Training Center. By

Park to construct a Technology and Innovation Training Center. By agreement with the Northeast Kentucky Regional Industrial Park, the technical college proposes to consolidate the original campus renovation project and the Technology and Innovation Training Center project to construct a \$10.4 million new facility for joint use. Consolidation of the two projects results in a \$3.5 million increase in the scope of the technical college's project. The Finance and Administration Cabinet has certified that the federal Economic Development Administration Grant, the Community Block Grant, and economic development bonds necessary to complete the project are available.

MOTION: Mr. Barger made a motion to consolidate the two projects. The motion was seconded by Ms. Legg.

VOTE: The motion passed.

MOTION: Ms. Legg made a motion to increase the project scope from \$6.9 million to \$10.4 million.

VOTE: The motion passed.

Mr. Barger requested a future update from the KCTCS on this project.

*1998-2000
RESEARCH
EQUIPMENT POOL
FUNDS: UK AND
UofL REPORTS*

Ms. Martin reported on the research equipment bond pool funds for the University of Kentucky and the University of Louisville. The 1998-2000 budget bill authorized \$26.25 million of bonds for research equipment — \$17.5 million was allocated to UK and \$8.75 million to UofL. A condition for allotting the capital construction project funds to the institutions was that a final report of the actual acquisitions from the pool would be prepared by each institution and reported to the secretary of the Finance and Administration Cabinet and the Capital Projects and Bond Oversight Committee. The reports were due in October 2000. As of that date, UofL spent all of its allotted funds and UK spent \$16.1 million. Detailed reports were included on the November 21, 2000, agenda of the Capital Projects and Bond Oversight Committee. The reports are included in the agenda book.

*LONG-TERM
PLANNING AND
POLICY COMMITTEE*

MOTION: Mr. Greenberg moved that the council establish a long-term planning and policy committee to consider financial, education, and economic issues that affect progress toward postsecondary education goals. This committee would bring recommendations to the full council. The motion was seconded by Mr. Hackbart.

VOTE: The motion passed.

*QUARTERLY
BUDGET REPORTS*

MOTION: Mr. Barger moved that the council staff be directed to provide the council with quarterly budget reports, including expenditures to date and any deviations from its approved operating budget for the fiscal year. The

motion was seconded by Mr. Owen.

VOTE: The motion passed.

*OPERATING
BUDGET*

MOTION: Mr. Hackbart moved that the council staff provide the council for approval a proposed operating budget by June 1 of each year for the next fiscal year. This budget would provide the basis for the quarterly reports. The motion was seconded by Mr. Owen.

VOTE: The motion passed.

COUNCIL AUDIT

MOTION: Mr. Baker stepped down as chair to make a motion. Vice Chair Hackbart presided. Mr. Baker moved that the council have an annual audit, that the full council appoint an audit committee, and that the request for proposal be developed from the draft that was presented in this Finance Committee meeting. Ms. Legg seconded the motion.

Mr. Dennis Taulbee, the council's associate vice president for information and technology and general counsel, provided the council with a draft request for proposal for selection of an audit firm. The council staff would like the request for proposal to include the following: 1) an audit of the current fiscal year; 2) advice from the audit firm on business processes, document control, and document flow, particularly for the disbursement of the trust funds; and 3) advice from the audit firm on the proper control of federal grant funds.

VOTE: The motion passed.

ADJOURNMENT

The meeting adjourned at 10:00 a.m.

— Angela S. Martin
Vice President for Finance

Mary Morse
Secretary